

STATE OF COLORADO FISCAL RULES

CHAPTER 8: REPORTING

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Rule 8-1

FINANCIAL STATEMENTS

AUTHORITY:

24-75-102, C.R.S. (Appropriations Expended - When - Balance)

DEFINITIONS:

Financial Statements - Financial information as defined by Generally Accepted Accounting Principles, as adopted by the Governmental Accounting Standards Board.

Financial Reports - Financial information compiled periodically to assist in management decision making or for reasons other than financial statement purposes.

RULE:

Financial statements prepared by State Agencies shall be submitted to the State Controller's Office as required by the State Controller. Unless otherwise provided by this Fiscal Rule, Financial statements shall be prepared in accordance with generally accepted accounting principles.

The State Controller shall provide State Agency's financial statements to the State Auditor which shall be used as the State Agency's official statements for audit purposes. State Agencies, upon request, shall also provide copies of their official financial statements to other interested parties.

Financial Statements for the State of Colorado

The annual financial statements for the State of Colorado shall be prepared by the State Controller's Office in accordance with generally accepted accounting principles. These annual financial statements shall reflect all of the financial activities of State Government.

Financial Statements for State Agency Reporting

The State Financial System generates a balance sheet and an income statement for each State Agency utilizing the system. These system generated financial statements are considered

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acceptable financial statements for the purpose of complying with this Fiscal Rule.

Financial statements prepared by a State Agency for formal third party reporting shall be prepared in accordance with generally accepted accounting principles.

Financial statements prepared by institutions of higher education may be presented at institution or governing board level.

Exhibit information required in the fiscal year-end closing instructions issued by the State Controller and any post-closing adjustments are an integral part of the financial statements and are considered part of the State Agency reporting requirement.

Required Reconciliation to the State Financial System

Financial statements prepared by State Agencies shall be reconciled to the State Financial System. A copy of this reconciliation shall be provided to the State Controller.

Should the State Financial System generate the required State Agency financial statements, these system generated financial statements shall satisfy the requirement for this reconciliation.

Financial Reports Provided to State Agencies or Other Interested Parties

As required by statute or regulation, or upon written request, financial reports shall be provided to State Agencies or other interested parties. These reports shall be based on financial data obtained from or reconciled to the State Financial System. If the report provided contains additional financial information or if the report has been modified, a copy of the reconciliation of the report to the State Financial System shall be retained by the State Agency.

Additional Financial Reports for State Agencies

In addition to the financial statements required by this Fiscal Rule, State Agencies are encouraged to provide additional financial reports. These reports should be tailored to meet their needs and enhance their ability to make timely and accurate decisions.

The reports prepared should be relevant, easy to understand, comparable, timely, consistent, current, accurate, and reliable. Reports may include but are not limited to such items as: comparison of budget to actual for programs or organizational units; efficiencies and economies in operations; and the results of specific programs and activities, as reflected in accomplishments, benefits, and effectiveness; and compliance with legal requirements and administrative policies.

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Rule 8-2

QUARTERLY FINANCIAL REPORTING

RULE:

All State Agencies shall submit quarterly financial reports as required by the State Controller. Quarterly financial reports shall be available for use by the Governor, State legislators, executive management, and their respective staffs for planning purposes and decision making.

- .01 The State Financial System shall be the system used to record the State's financial information and the system from which standard reports shall be prepared and forwarded to the State Controller in compliance with the reporting requirement of this rule.
- .02 The State Controller shall determine what is reasonable and necessary to be included in the report, the funds which are to be included, the State Agencies required to submit the reports, and the date each report is due.

Each quarterly reporting period shall be regarded as an integral part of the fiscal year. Revenues shall be allocated to quarterly reporting periods in accordance with generally accepted accounting principles. Expenditures such as salaries, operating expenditures and accruals of expenditures shall be allocated to interim periods in which they are incurred or, where appropriate, allocated among quarterly periods on the basis of benefit received or time expended. Arbitrary assignment to a quarterly period shall not be allowed.

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Rule 8-3

COST ALLOCATION PLANS

AUTHORITY:

CFR: Title 48, Chapter 99, Subchapter B, Part 9904: "OMB" Cost Accounting Standards Board, Cost Accounting Standards"

Federal OMB Circular A-21: "Cost Principles for Educational Institutions"

Federal OMB Circular A-87: "Cost Principles for State and Local Governments"

DEFINITIONS:

Basis of Allocation – The best suited statistic that can be used for assigning pool of costs to cost objectives in accordance with benefits derived; a traceable cause and effect relationship; or logic and reason, where neither a benefit nor cause and effect relationship is determinable.

Cash Funds - Funds received by State Agencies from fees charged to the public, non-governmental entities, internal service funds, and other State Agencies for goods or services provided.

Cost Objective - A project, grant, program, or other activity to which costs are being allocated.

Cost Pool - An aggregation of costs for subsequent allocation to another cost pool or a cost objective.

Costs - All expenses incurred by a project or program, either directly or indirectly. Costs include such items as labor, material, supplies, rent or building charges, operating expenses, and administrative expenses that might properly be assigned to the project or program.

Direct Cost - A cost incurred by a State Agency that exclusively benefits a specific cost objective and that can be readily identified with the same specific cost objective.

Equitable Relationship – A relationship that is based on cause and effect or logic and reason.

Federal Funds - Funds received by State Agencies either directly or indirectly from the federal government.

Full Cost - The total of all direct and indirect cost associated with a specific cost objective.

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Indirect Cost - A cost incurred by a State Agency that does not exclusively benefit a specific cost objective and that cannot be readily identified with the same specific cost objective, and, therefore shall be allocated to cost objectives on some basis of assumed service/benefit or other equitable distribution basis.

Indirect Cost Allocation - A systematic and rational allocation of indirect cost to benefiting programs and activities that result in the calculation of an indirect cost recovery rate or the identification of the amount of indirect cost assigned to the benefiting program for cost recovery purposes and/or to establish appropriations and fees. Four types of documentation representing indirect cost allocations to cost objectives are recognized in this fiscal rule:

- a. Statewide Federal Indirect Cost Allocation Plan – The plan prepared by the State Controller’s Office, using federally approved costing principles, to allocate the allowable central administrative costs of state government to State Agencies for inclusion in their State Agency Federal Indirect Cost Rate Proposal/Plan.
- b. Statewide Budget/Cash Indirect Cost Allocation Plan – The plan prepared by the State Controller’s Office using full costing principles, to allocate the central administrative costs of state government to State Agencies for inclusion in their State Agency Budget/Cash Program Indirect Cost Determination Worksheet.
- c. State Agency Federal Indirect Cost Rate Proposal/Plan:
 - ♦ Proposal – A document prepared by a State Agency to establish a rate used to recover indirect costs from federally funded programs or activities.
 - ♦ Plan – A document prepared by a State Agency to document indirect cost allocation algorithms used for federal indirect cost recovery purposes.
- d. Documentation of an indirect cost allocation prepared separately or as a part of a fee formulation process, the allocations from which are used to establish a component of fees for State Agency cash programs and services.

Indirect Cost Allocation Methodology - A system of principles, practices, and procedures that identify: 1) the types of services provided; 2) the cost of each service; 3) the reasonable basis of allocation for each type of service which shall produce a service/benefit based or other equitable distribution of costs; 4) the cost objective(s); and 5) the appropriate mathematical computation to make an equitable allocation of costs.

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State Agencies shall prepare a documented indirect cost allocation or indirect cost rate proposal/plan that assigns indirect costs to their programs, activities and services relative to their benefits received from the activities whose costs are being allocated or on another equitable relationship. The allocated costs shall be used as the basis of recovering indirect costs from the federal government, determining fees for program services and activities, and assessing the cost effectiveness of a program or activity.

State Agencies shall use a cost allocation methodology that assures that the allocations made through the methodology represents a service/benefit or other equitable relationship between the cost of the services provided and the value of the benefits received by users of the services.

State Agencies shall periodically review their cost allocation methodology to ensure that the methodology represents the best allocation attainable. Allocations should be reconciled to actual expenditures to ensure all costs have been captured and allocated.

Indirect Cost Allocations Made for Federal Indirect Cost Recovery Purposes

A State Agency that receives federal funds shall prepare a State Agency federal indirect cost rate proposal/plan in accordance with OMB A-21 or OMB A-87 and sign an indirect cost rate or allocation methodology agreement with the federal government. The State Agency federal indirect cost rate proposal/plan shall include all costs allocated to the State Agency in the statewide federal indirect cost allocation plan and other approved cost allocation plans.

A State Agency that receives federal funds primarily from federal programs that do not allow indirect costs to be recovered is exempted from preparing a State Agency federal indirect cost rate proposal/plan to obtain an agreement with the federal government . However, documentation supporting this fact shall be sent to the State Controller's Office by the State Agency for review.

Grants, contracts, and other agreements that do not allow for the recovery of the full cost incurred under the agreement should be closely evaluated to determine if their acceptance is cost effective and in the best interest of the State of Colorado.

A State Agency federal indirect cost rate proposal shall be submitted to the State Controller within two weeks of the submission to the federal government unless the State Controller has specifically requested in writing that the State Agency submit it to the State Controller before it has been submitted to the federal government. Amendments to a State Agency federal indirect cost plan shall be submitted to the State Controller with the federal government's letter of acceptance after the amendments have been accepted by the federal government.

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A State Agency that receives cash funds based on fees charged to users shall compute an indirect cost allocation that identifies and allocates all indirect costs to all appropriate cost objectives. Allocations to cash programs shall be used as a component in the calculation of fees that recover the full cost of cash funded programs and services. The allocations made to cash funded programs and services shall be documented. Documentation of the allocated components may take any form that is convenient for the State Agency, but shall adequately document the allocations of indirect costs used in establishing the fees for cash funded programs and services and be available for review. The allocations shall include all costs allocated to the State Agency in the Statewide Budget/Cash Cost Allocation Plan.

If a statewide central service agency provides services to federally funded programs and is charging a fee for the services provided, the statewide central service agency's fees charged to the federal programs shall be based upon only allowable cost for federal programs as defined in federal regulations. The statewide central service agency that charges a fee for services to federally funded programs shall include the allocation from the Statewide Federal Indirect Cost Allocation Plan, as opposed to the allocation from the Statewide Budget/Cash Cost Allocation Plan, as a component of the costs used to formulate its fees for services provided.

Accounting for Indirect Cost Recoveries

Indirect Cost recoveries shall be recorded when earned in separately identifiable accounts as determined by the State Controller. All Indirect Cost recoveries shall be credited to the state general fund, unless otherwise appropriated or directed by law.

Revenues from indirect cost recoveries shall not be deferred at the end of the fiscal year.

EXCEPTIONS TO RULE:

- .01 If a State Agency can document that use of their State Agency federal indirect cost rate or allocation, in lieu of a separate indirect cost determination for establishing fees would not result in a significant reduction in the potential costs recovered, the State Agency may use the State Agency Federal Indirect Cost Rate Proposal/Plan as their basis for recovering indirect costs from cash funded programs.
- .02 Direct costs are generally defined as costs that can be identified specifically with a particular final cost objective. All other costs are defined as indirect costs. However, for institutions of higher education, under OMB Circular A-21, a cost that **cannot** specifically be identified with a particular final cost objective (a sponsored project, an instructional activity, or other institutional activity), but can be directly assigned to such activities relatively easily with a high degree of accuracy can be allocated to federal contracts and grants as a direct cost.

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- .03 If a State Agency has negotiated a multiple year indirect cost recovery rate with its federal cognizant agency, based upon their State Agency Federal Indirect Cost Rate Proposal, the State Agency is not required to prepare or submit another State Agency Federal Indirect Cost Rate Proposal to the State Controller's office as long as the negotiated multiple year rate is in effect.

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Rule 8-4

ACCOUNTS RECEIVABLE REPORTING

DEFINITIONS:

Accounts Receivable - Amounts owed a State Agency by an identified debtor.

RULE:

All State Agencies shall periodically submit reports of all accounts receivable to the State Controller's Office as required by the State Controller.

Periodic management reports on the status and progress of collections of accounts receivable are necessary to assure proper review and accountability for these State assets.

Adequate internal accounting and administrative controls are essential to safeguard these assets.

- .01 Each State Agency shall develop sufficient internal policies and procedures to ensure accurate and complete accounts receivable reports are prepared.
- .02 These periodic reports shall be filed with the State Controller not less than annually in the format set forth and on the due dates prescribed by the State Controller.
- .03 Performance policies and standards shall be separately set by the State Controller to measure the current status and progress of accounts receivable collections.
- .04 A consolidated accounts receivable report shall be prepared and issued by the State Controller not less than annually on the status of all State accounts receivable. The report shall include a comparison of collections against performance standards.